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Vietnam

Cotton and Products Annual

Commodity Report 2018

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Report Highlights:

In MY 2017/18, Vietnam's cotton imports are expected to reach 1.38 million metric tons (MMT), up 15 percent over MY 2016/17, as Vietnam's spinning sector continues to expand alongside its textile and garment industry. FAS/Vietnam forecasts Vietnam's cotton imports in MY 2018/19 up 5 percent over MY 2017/18. U.S cotton continues to dominate the Vietnam market, rising from a 42 percent market share in 2015/2016 to a record-breaking 53.5 percent in MY 2016/17, settling at just over 51 percent in MY 2017/18.

Commodities:

Cotton

SITUATION AND OUTLOOK

Textile Industry

Vietnam's textile and garment sector is steadily growing and remains one of the country's top export industries, significantly contributing to the country's Gross Domestic Product (GDP) growth. Export revenue in calendar year (CY) 2017 was reported at \$31.5 billion, up about 10 percent over the previous year.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), signed on March 8, 2018, will offer an opportunity for Vietnam's textile and garment industry to grow in the coming years. Prior to this trade deal, Vietnam was already the second largest exporter of textile and garment products to CPTPP countries, behind China. When CPTPP enters into force, Vietnam's garment and textile industry expects to benefit through increased export revenue, especially to Canada, Mexico, and Peru, the three CPTPP members with which Vietnam does not yet have a free trade agreement (FTA). Industry forecasts of Vietnam's textile and garment exports to CPTPP countries is about \$5 billion in CY 2018, up 20 percent over 2017. The increase in sales to CPTPP members could help the industry maintain its 10 percent export growth in 2018.

Vietnam's spinning sector is comprised of about 100 spinning mills with about 8.5 million spindles (equivalent), which had an estimated capacity of over 2 MMT of yarn in 2017. Investment inflow from both foreign and domestic sources into the textile and garment industry in general, and the spinning sector specifically, is likely to continue in the coming years. Foreign Direct investment (FDI) into Vietnam is expected to increase and capture opportunities fueled by ongoing FTAs and the recently approved CPTPP.

Table 1: Vietnam Textile/Spinning Industry Overview

	Unit	2013	2014	2015	2016	2017*
Total number of spindles	Thousand	6,000	6,100	6,300	7,000	7,500
Total number of rotors	Thousand	103	103	103	103	103
Total yarn production	Thousand Metric Tons	720	930	990	1,550	2,050
Yarn exports	Thousand MT	720	858	962	1,167	1,349
Yarn imports	Thousand MT	695	740	792	861	876
Fabric production	Billion m2	1.3	1.5	1.7	2	2.3
Fabric imports	Billion USD	8.3	9.4	10.2	10.2	10.7

Source: Trade Associations, Customs Vietnam and *Post's estimate

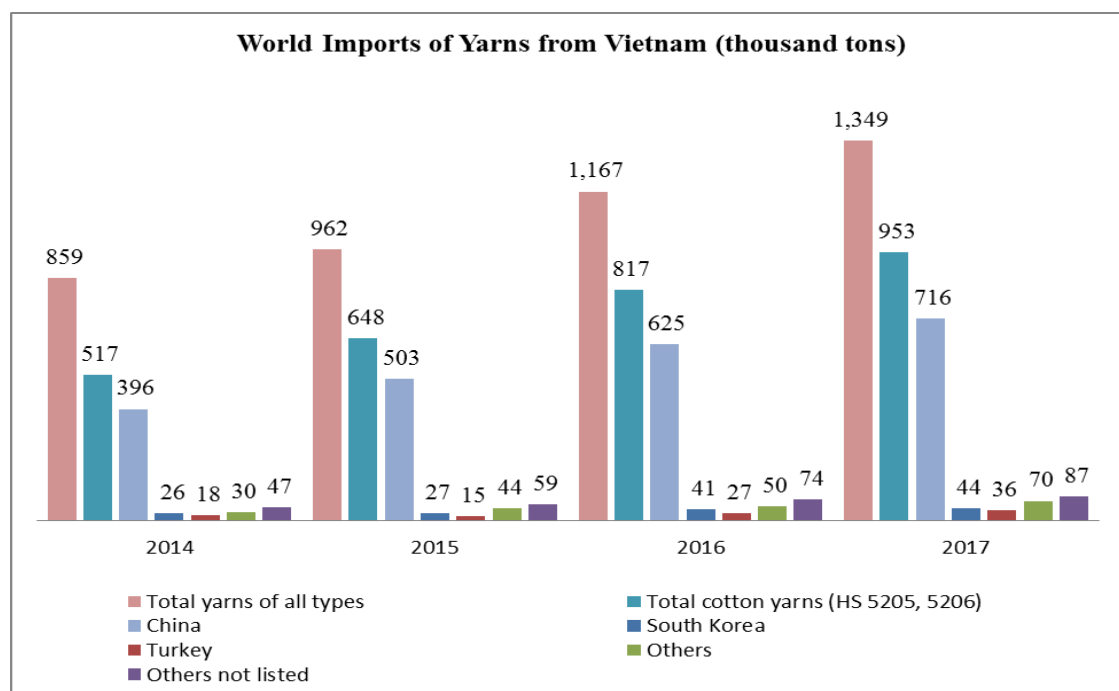
Vietnam's total yarn exports in CY 2017 reached 1.35 MMT, up about 15.6 percent over the last year, of which approximately 1 MMT were reported cotton yarns (HS 5205 and 5206). China, South Korea, and Turkey are the largest importers, comprising over 80 percent of Vietnam's total cotton yarn exports. Vietnam will continue to maximize the advantages offered by geographic proximity, competitive cost, and the benefits conferred by FTAs to boost yarn exports to these three markets.

Table 2: Vietnam Exports of Yarns to Global Markets (thousand MT)

Importing countries	Calendar year				Change b/w 2017/2016	Market share in 2017
	2014	2015	2016	2017		
Total cotton yarns (HS 5205, 5206)	517	648	817	953	17%	
China	396	503	625	716	15%	75%
South Korea	26	27	41	44	7%	5%
Turkey	18	15	27	36	33%	4%
Others	30	44	50	70	40%	7%
Others not listed	47	59	74	87	17%	9%
Total yarns of all types	859	962	1,167	1,349	16%	
% cotton yarns/ total yarns	60%	67%	70%	71%		

Source: Global Trade Atlas, Customs Vietnam and Post estimates

Figure 1: World Imports of Yarns from Vietnam



Source: Global Trade Atlas, Customs Vietnam and Post's estimate

Vietnam also imports yarn for its weaving and knitting industry. Most of the yarns imported into Vietnam are man-made. Vietnam's cotton yarn imports are insignificant compared to the total yarns imported, reflecting an improving supply of domestic cotton yarns (See Table 3).

Table 3: Vietnam imports of yarns from worldwide markets (quantity in thousand MT)

Reporting Country	Calendar Year					Market share in CY 2017
	2014	2015	2016	2017	% change 2017/2016	
Total yarns imported	740.0	791.8	861.4	876.3	2%	
China	261.0	301.1	358.8	383.2	7%	44%
Taiwan	208.6	192.7	195.4	173.4	-11%	20%
Thailand	80.0	82.8	78.6	77.8	-1%	9%
South Korea	76.8	79.6	77.8	82.0	5%	9%
Indonesia	46.7	53.4	60.0	60.8	1%	7%
Others	58.0	69.7	74.8	68.0	-9%	8%
Others not listed	8.9	12.5	16.0	31.1	94%	4%
Cotton yarns imported	155.0	80.0	65.0	78.0	20%	
% cotton yarns/ total yarns imported	21%	9%	7%	9%		

Source: Global Trade Atlas, Customs Vietnam, and Post's estimate

PRODUCTION:

Vietnam's cotton planted area continues to shrink to an insignificant amount. FAS/Vietnam estimates domestic cotton supply at less than 1 percent of total market demand. For a further discussion of the decline in planted area, please see [GAIN Report VM7019, Cotton and Products Annual 2017](#).

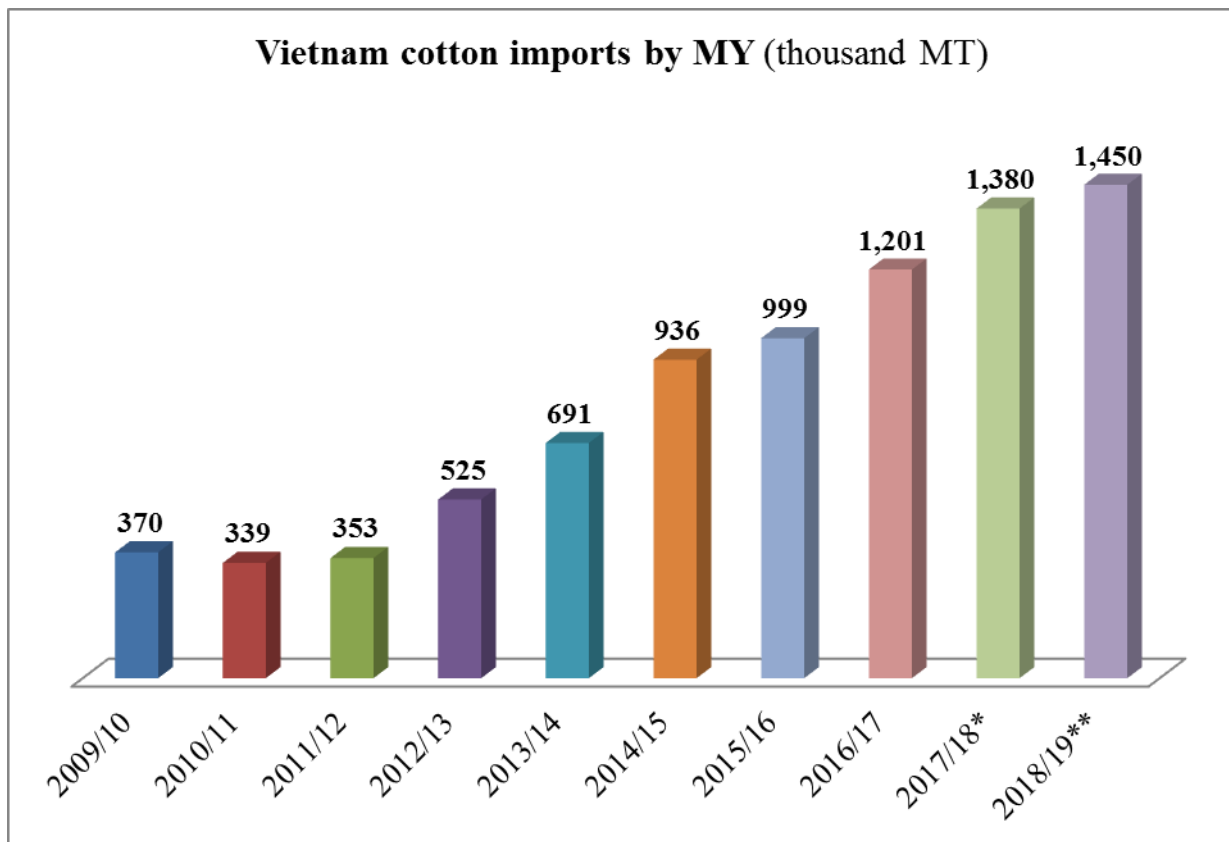
TRADE:

Strong demand for cotton yarn from international markets, especially China, South Korea, and Turkey, continues to support Vietnam's strong demand for more cotton to feed its expanding spinning sector. Vietnam's cotton imports in MY 2016/17 climbed to 1.2 MMT, which is equivalent to 5.5 million bales, up 20 percent over MY 2015/16. Based on the average growth of Vietnam's spinning sector, international demand for cotton yarn, and a positive estimate of global cotton supply, FAS/Vietnam estimates that Vietnam's cotton imports will reach 1.38 MMT (6.33 million bales) in MY 2017/18, up 15 percent over MY 2016/17.

In MY 2018/19, FAS/Vietnam forecasts Vietnam's cotton imports to increase 5 percent over MY 2017/18, reaching 1.45 MMT. The lower growth is attributed to the following factors:

- USDA's outlook on world cotton consumption in MY 2018/19 is relatively flat at 2 percent. FAS/Vietnam forecasts higher than average growth in Vietnam, but growth will not reach previous levels
- Recently, there have not been any large investments in the spinning sector
- Due to the United States withdrawal from the Trans-Pacific Partnership, the spinning sector is likely to only grow organically

Figure 2: Vietnam Cotton Imports by Marketing Year



Source: Global Trade Atlas, Post's *estimates and **forecast

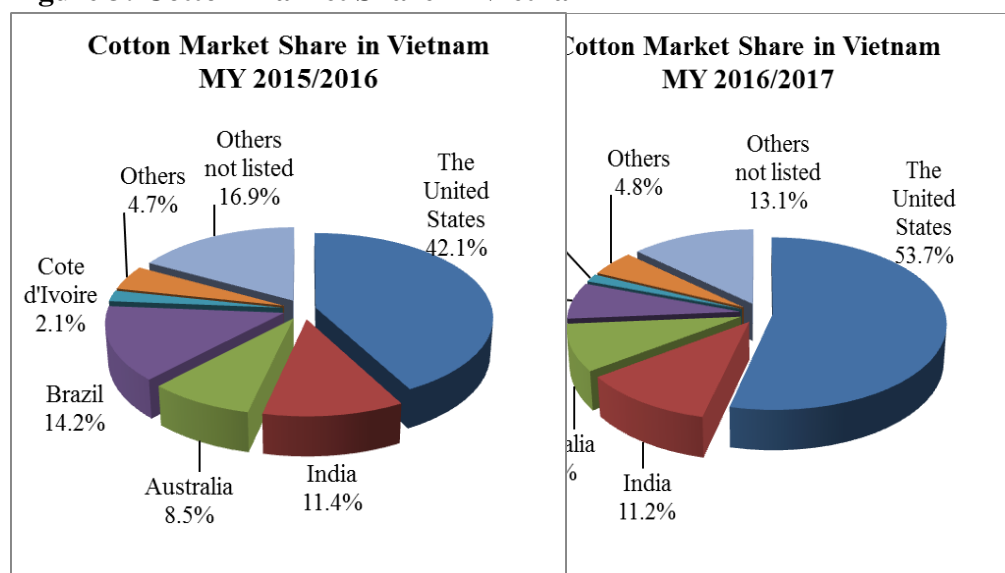
Vietnam's Top Cotton Suppliers:

The country's top five cotton suppliers include the United States, India, Brazil, Australia, and Cote d'Ivoire. These countries make up 70 to 80 percent of the total cotton supply to Vietnam.

Table 4: Vietnam Cotton Imports by Marketing Year (Unit: thousand MT)

Reporting Country	Marketing Year			% Change 2016/2017 vs 2015/2016	Market share		
	2014/ 2015	2015/ 2016	2016/ 2017		2014/ 2015	2015/ 2016	2016/ 2017
The United States	405	421	644	53%	43%	42.1%	53.7%
India	127	114	134	18%	14%	11.4%	11.2%
Australia	60	85	106	25%	6%	8.5%	8.8%
Brazil	99	142	83	-42%	11%	14.2%	6.9%
Cote d'Ivoire	32	21	18	-14%	3%	2.1%	1.5%
Others	44	47	58	23%	5%	4.7%	4.8%
Others not listed	169	169	157	-7%	18%	16.9%	13.1%
Total	936	999	1,200	20%			

Source: Global Trade Atlas and Vietnam Customs

Figure 3: Cotton Market Share in Vietnam

Source: Global Trade Atlas and Vietnam Customs

The United States has topped the list of cotton suppliers to Vietnam for nearly a decade. In MY 2016/17, U.S. cotton exports to Vietnam increased sharply, far beyond the previous estimate, reaching a record-breaking volume of 644,229 MT (2.95 million bales), valued at \$1.07 billion. This was a year-on-year increase of 53 percent in quantity and 79 percent in value. The vast majority (over 90 percent) of U.S. cotton imported into Vietnam is upland cotton.

Table 5: U.S. Cotton Exports to Vietnam by Grade (MT)

HS Code	Product	Marketing Year (August - July)				
		2014/ 2015	2015/ 2016	2016/ 2017	Aug - Jan 2017	Aug - Jan 2018
5201001090	Cotton>25.4,<28.58	227,574	215,925	340,714	149,353	136,257
5201009000	Cotton, not Pima,>28.58	174,953	199,679	283,400	115,767	124,272
5201001025	Raw cotton,<25.4	628	2,367	15,523	5,111	3,226
5201002030	Pima >28.58	1,646	2,849	4,578	1,711	3,388
1404200000	Cotton linters	12	14	14	9	9
	Total	404,814	420,834	644,229	271,952	267,151

Source: U.S. Census Bureau Trade Data

U.S. cotton production in MY 2017/18 is expected to be larger than the previous year. Consequently, FAS/Vietnam estimates that U.S. cotton exports to Vietnam in MY 2017/18 will reach a new record level of about 710,000 MT or roughly 3.26 million bales, up 10 percent over MY 2016/17. However, this estimate is lower than FAS/Vietnam's previous estimate because export performance in the first half of MY 2017/18 has slowed and there is tough competition from other major cotton suppliers.

In MY 2018/19, FAS/Vietnam forecasts that U.S. cotton exports to Vietnam will continue to grow 10 percent, reaching 780,000 MT or 3.58 million bales, as other cotton suppliers' production decreases. As in previous years, the U.S. cotton success story in Vietnam is based on various factors, including:

- Vietnam's cotton imports increased strongly to match a growing demand for cotton yarn from both the domestic and export market, most notably from China, South Korea, and Turkey.
- Major spinners in Vietnam representing Chinese, Taiwanese, and Korean investments continue to favor U.S. cotton for its stability, quality, availability, and competitive price.

Table 6: U.S. Cotton Exports to Vietnam by Marketing Year (MT)

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Source: U.S. Census Bureau Trade Data

CONSUMPTION:

Vietnam's cotton consumption continues to increase to meet the growing demand for cotton yarn from export markets, most significantly China, South Korea, and Turkey. FAS/Vietnam estimates that 80 percent of imported cotton was spun into cotton yarn (HS 5205, 5206) for export, while the rest was made into yarns of various types for domestic consumption. There are no records of cotton re-exports. Vietnam's cotton consumption heavily depends on China's demand for cotton yarn, while domestic consumption of cotton yarn is less robust. Overall, China's policy of favoring imports of cotton yarn from Vietnam while reducing imports from India and Pakistan will increase Vietnam's cotton consumption in MY 2017/18.

In MY 2018/19, FAS/Vietnam forecasts that Vietnam's cotton consumption will reach 1.43 MMT or 6.57 million bales, up 7 percent over MY 2017/18, due to expansion of the sector.

PRICES

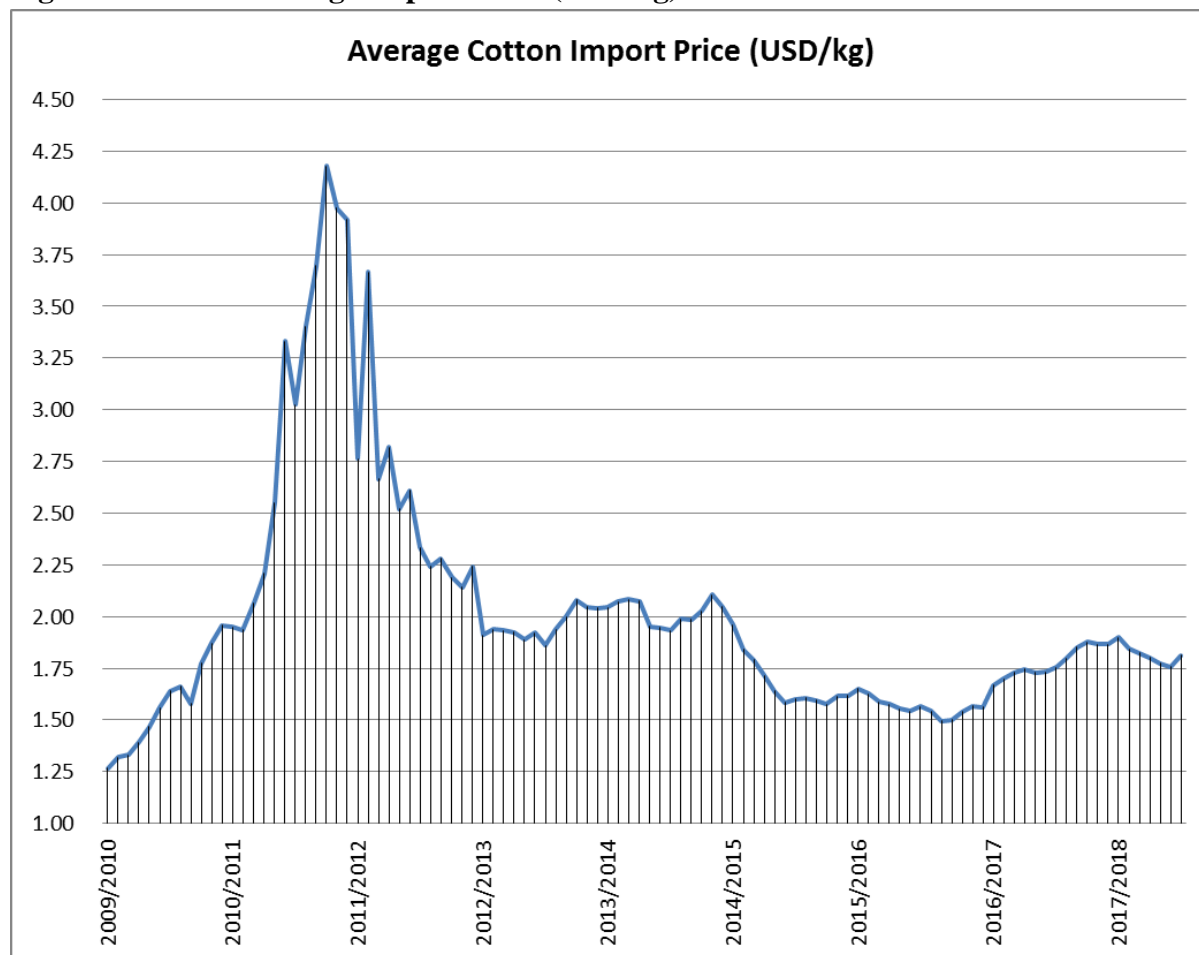
The average price for imported cotton dropped to \$1.50/kg in April and May 2016, the lowest level in the last five MY. However, the average price has rebounded since June 2016 and has been at a comparatively high level during MY 2017/18 (See Table 7).

Table 7: Cotton Average Import Price (USD/kg)

Month	Marketing Year								
	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018
Aug	1.27	1.95	2.76	1.91	2.04	1.96	1.65	1.67	1.87
Sep	1.32	1.93	3.67	1.94	2.07	1.84	1.63	1.70	1.84
Oct	1.33	2.07	2.67	1.93	2.08	1.79	1.59	1.73	1.82
Nov	1.39	2.21	2.82	1.93	2.08	1.72	1.58	1.75	1.80
Dec	1.47	2.55	2.52	1.89	1.95	1.64	1.56	1.73	1.77
Jan	1.56	3.33	2.61	1.92	1.95	1.58	1.54	1.73	1.76
Feb	1.64	3.03	2.33	1.86	1.93	1.60	1.57	1.76	1.81
Mar	1.66	3.40	2.24	1.94	1.99	1.61	1.54	1.80	-
Apr	1.58	3.69	2.28	2.00	1.99	1.60	1.50	1.85	-
May	1.77	4.18	2.19	2.08	2.03	1.58	1.50	1.88	-
Jun	1.87	3.98	2.14	2.05	2.11	1.61	1.54	1.87	-
Jul	1.96	3.92	2.24	2.04	2.05	1.62	1.57	1.87	-
Average price	1.57	3.02	2.54	1.96	2.02	1.68	1.56	1.78	1.81

Source: Vietnam Customs Department

Figure 4: Cotton Average Import Price (USD/kg)



Source: Vietnam Customs Department

STOCKS:

Since global supply of cotton is estimated to be larger than in previous years, local importers can easily and competitively source cotton and, therefore, do not need to keep large stocks. Spinners have reduced stocks for production from 60 days to 45 days or even to 30 days. FAS/Vietnam estimates that the stocks-to-use ratio in MY 2016/17 varied between 15 and 17 percent.

MARKETING/ POLICY:

Tariff on cotton

Cotton fiber (HS code 5201, 5203) has a zero tariff but a 5 percent value added tax is assessed.

Tariff on cotton yarn

Cotton yarn (HS code 5204-5205-5207) has a 5 percent tariff and a 10 percent value added tax.

Biotech Policy and Cotton Production

Commercialization of biotech cotton is not yet approved in Vietnam. However, confined field trials for biotech cotton are authorized. To date, field trials have not been conducted. For more information on agricultural biotechnology in Vietnam, please refer to GAIN Report [VM7071](#)

PRODUCTION, SUPPLY AND DEMAND DATA STATISTICS:

Table 8: Vietnam's Cotton Production, Supply and Demand

Cotton	2016/2017		2017/2018		2018/2019	
Market Begin Year	Aug-16		Aug-17		Aug-18	
Vietnam	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	-	-	-	-	-	-
Area Harvested	1	1	1	1	-	1
Beginning Stocks	779	779	882	890	-	1,073
Production	3	3	3	3	-	3
Imports	5,500	5,508	6,700	6,330	-	6,646
MY Imports from U.S.	-	2,955	-	3,257	-	3,582
Total Supply	6,282	6,290	7,585	7,223	-	7,722
Exports	-	-	-	-	-	-
Use	5,400	5,400	6,450	6,150	-	6,564
Loss	-	-	-	-	-	-
Total Dom. Cons.	5,400	5,400	6,450	6,150	-	6,564
Ending Stocks	882	890	1,135	1,073	-	1,158
Total Distribution	6,282	6,290	7,585	7,223	-	7,722
Stock to Use %	16.33	16.48	17.60	17.45	-	17.64
Yield	653	653	653	653	-	653
(1000 HA) ,1000 480 lb. Bales ,(PERCENT) ,(KG/HA)						

Source: FAS, Official USDA's estimate and Post's estimate

Note for unit measures:

- Planted area/Harvest area: 1,000 ha
- Yield: kg/ha
- Beginning stocks/Production/Imports/ MY imports from U.S/ Total Supply/Exports/Use/Total Domestic Consumption/Ending Stocks/Total distribution: 1,000 bales (480-lb bale equivalent to 218-kg bale)